

THE GOVERNANCE OF TENSIONS IN STRATEGIC ALLIANCES

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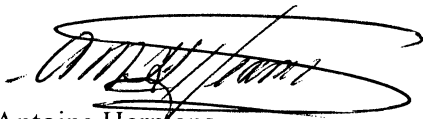
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Declaration of authorship

This thesis does not contain any work which has been presented for any degree at University of Technology Sydney or another university or tertiary institution.

The work presented for examination in this thesis has been conducted by myself, except where acknowledgement has been given.



Antoine Hermens
April 2009



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Table of Contents

CHAPTER 1 OVERVIEW AND RATIONALE.....	- 1 -
1.1 Background to the Research.....	- 1 -
1.2 Overview of the Empirical Studies.....	- 4 -
1.3 Structure of the Thesis.....	- 6 -
CHAPTER 2 LITERATURE SURVEY – STRATEGY AND ALLIANCES.....	- 9 -
2.1 Chapter Overview	- 9 -
2.1.1 Chapter Structure.....	- 9 -
2.1.2 Background – Defining the Problem.....	- 10 -
2.1.3 Approach to this Study.....	- 15 -
2.2 Literature Review – Strategic Management Theory	- 16 -
2.2.1 Introduction	- 16 -
2.2.2 The Evolution of the Intellectual Basis of Strategy	- 17 -
2.2.3 Definitions and Critical Elements.....	- 20 -
2.2.4 Strategic Management and the Socioeconomic Environment.....	- 28 -
2.3 Theories and Paradigms	- 33 -
2.3.1 Research and Theoretical Complexity	- 42 -
2.3.2 Strategy Paradox: Art or Science	- 44 -
2.3.3 Strategy, Thinking and Planning	- 47 -
2.3.4 Integrating Theoretical Perspectives	- 48 -
2.3.5 Integrated Process Approach to Strategic Management.....	- 52 -
2.4 The Competitive Paradigm.....	- 54 -
2.4.1 Strategy Formulation and Organisational Performance	- 56 -
2.4.2 Strategic Tensions Competition and Collaboration	- 63 -
2.5 Summary.....	- 66 -
2.6 Literature Review: Alliance Theory.....	- 69 -
2.6.1 Introduction	- 69 -
2.6.2 Conceptualising Alliances	- 69 -
2.6.3 Contextualising the Collaborative Process.....	- 71 -
2.6.4 Alliances as a Research Topic.....	- 73 -
2.6.5 Categorising Alliance Research	- 75 -
2.6.6 Theoretical Perspectives of Alliance Instability.....	- 78 -
2.6.7 Rationalising Alliance Instability	- 84 -

2.6.8	The Collaborative Paradox.....	- 89 -
2.6.9	Theorising Why Firms Enter Strategic Alliances	- 92 -
2.7	The Ambiguity of Alliance Performance and Success	- 95 -
2.7.1	Alliance Success	- 95 -
2.7.2	The Elusiveness of Success and Longevity	- 99 -
2.7.3	Theorising Performance.....	- 100 -
2.7.4	Measuring Performance.....	- 102 -
2.7.5	Models of Successful Co-operation.....	- 105 -
2.7.6	Outcomes, Strategic Intent and Resource Allocation	- 108 -
2.7.7	Strategic Intent and Spheres of Influence	- 109 -
2.7.8	Divergence of Strategic Intent.....	- 111 -
2.8	Value Creation Process	- 113 -
2.8.1	Collaborative Complexities and Value Creation	- 113 -
2.8.2	Converging and Diverging Forces.....	- 114 -
2.8.3	The Dynamics of Value Creation.....	- 116 -
2.8.4	Collaborative Advantage of Buyer Supplier Alliances	- 118 -
2.8.5	Collaborative Advantage with Complementors	- 119 -
2.8.6	Collaborative Advantage with Competitors	- 120 -
2.9	The Alliance Governance Process	- 120 -
2.9.1	Strategic Governance, Structures and Systems.....	- 122 -
2.9.2	The Internal Governance of Strategic Resources	- 126 -
2.9.3	Modes of Organising.....	- 130 -
2.9.4	Governance and Risk.....	- 132 -
2.9.5	Merger and Acquisition Risk	- 135 -
2.9.6	Dimensional and Power Risk	- 136 -
2.9.7	Managing Risks.....	- 136 -
2.9.8	Framework of Governance.....	- 139 -
2.9.9	Structures and Processes	- 140 -
2.9.10	Trust and Control	- 142 -
2.10	The Alliance Process Frameworks.....	- 143 -
2.10.1	Internal Tension Framework	- 144 -
2.10.2	Structural Choices and Internal Tensions	- 147 -
2.10.3	Partner Analysis Framework	- 150 -
2.11	STRATEGIC ALLIANCES – AN APPLIED PERSPECTIVE	- 153 -
2.11.1	Strategy, Alliances and Organizational Competencies.....	- 155 -
2.11.2	Alliances and Regional Trends.....	- 156 -
2.11.3	Small and Medium Sized Enterprises	- 156 -

2.12	SUMMARY.....	- 158 -
2.13	The Research.....	- 162 -
2.13.1	Future Research Direction	- 162 -
2.13.2	Research Aim.....	- 163 -
CHAPTER 3 BUILDING THE THEORETICAL FRAMEWORK.....		- 165 -
3.0	CHAPTER OVERVIEW.....	- 165 -
3.0.1	Chapter Structure.....	- 165 -
3.0.2	Contextualising the Research	- 166 -
3.0.3	Research Perspectives	- 167 -
3.1	RESEARCH ISSUES AND CHALLENGES	- 167 -
3.1.1	Rationale for the Research Design	- 168 -
3.1.2	Designing the Framework	- 168 -
3.1.3	Institutional Setting.....	- 169 -
3.1.4	Pilot Study – Interviews with Alliance Managers	- 170 -
3.1.5	Data Collection.....	- 172 -
3.1.6	Data Analysis	- 173 -
3.1.7	Findings and Analysis	- 175 -
3.2	VALUE CREATION AND APPROPRIATION MECHANISMS.....	- 178 -
3.2.1	Tensions in Value Creation and Value Appropriation.....	- 179 -
3.2.2	Prioritising the Impact of Strategic Tensions	- 188 -
3.2.3	Integrating Tensions in the Process View of Alliance System.....	- 191 -
3.3	RESEARCH QUESTION AND PROPOSITIONS.....	- 205 -
3.3.1	Research Questions and Related Propositions.....	- 205 -
3.4	SUMMARY.....	- 209 -
3.5	DEFINITION OF KEY TERMS	- 210 -
CHAPTER 4 RESEARCH METHODOLOGY		- 212 -
4.1	OVERVIEW.....	- 212 -
4.2	PART 1 –LITERATURE REVIEW – RESEARCH METHOD.....	- 212 -
4.2.1	Introduction	- 213 -

4.2.2	Strategy as Practice Approach.....	213 -
4.2.3	Quantitative vs Qualitative Analysis	214 -
4.2.4	Fine grain vs. Broad Grain Approach	216 -
4.2.5	The Case Study Approach	217 -
4.3	PART 2 –RESEARCH DESIGN OF THIS STUDY.....	220 -
4.3.1	Background	220 -
4.3.2	Key Constructs of the Research.....	220 -
4.3.3	Justification for the Research Design	221 -
4.3.4	Theoretical Sampling	223 -
4.3.5	Case Study Protocols.....	226 -
4.3.6	Data Collection	227 -
4.3.7	Measuring Alliance Tensions	230 -
4.3.8	Content Analysis	232 -
4.3.9	Cross-Case Patterns.....	236 -
4.3.10	Contribution and Constructs.....	236 -
4.4	SCOPE OF THE RESEARCH.....	239 -
	CHAPTER 5 CASE STUDIES	- 244 -
5.0	OVERVIEW OF THE CHAPTER.....	- 244 -
5.1	CASE STUDY 1: AUTOMOTIVE TYRE INDUSTRY – PRESMIT AND SOUTH PACIFIC TYRES (SPT).....	- 246 -
5.1.1	Research Site.....	246 -
5.1.2	Alliance Structure and Strategic Intent	247 -
5.1.3	Alliance Structure and Strategic Intent	248 -
5.1.4	Alliance Partners: Corporate Background	249 -
5.1.5	Alliance Negotiation	254 -
5.1.6	Alliance Agreement	255 -
5.1.7	Alliance Partners Collective Strengths	256 -
5.1.8	Alliance Performance	257 -
5.1.9	Alliance Operations	260 -
5.1.10	Alliance Conditions.....	262 -
5.1.11	Emergence of Structural Tensions	262 -
5.1.12	Emergence of Psychological Tensions	266 -
5.1.13	Emergence of Relationship Tensions.....	268 -
5.1.14	Alliance Evolution.....	269 -
5.1.15	Origins of Strategic Tensions in Presmit and SPT	270 -
5.1.16	Discussion.....	275 -

5.2	CASE STUDY 2: AUTOMOTIVE TYRE INDUSTRY FULDA AND F&G ALLIANCE	- 282 -
5.2.1	Research Site.....	- 282 -
5.2.2	Alliance Structure and Strategic Intent.....	- 284 -
5.2.3	Alliance Goals and Objectives.....	- 285 -
5.2.4	Alliance Partners Corporate Perspectives.....	- 285 -
5.2.5	Alliance Negotiation	- 288 -
5.2.6	Alliance Agreement.....	- 288 -
5.2.7	Alliance Partners Collective Strengths	- 289 -
5.2.8	Alliance Performance	- 290 -
5.2.9	Alliance Operation.....	- 291 -
5.2.10	Alliance Conditions.....	- 291 -
5.2.11	Emergence of Structural Tensions	- 292 -
5.2.12	Emergence of Psychological Tensions	- 293 -
5.2.13	Emergence of Relationship Tensions.....	- 294 -
5.2.14	Alliance Evolution.....	- 294 -
5.2.15	Origins of Alliance Tensions.....	- 295 -
5.2.16	Discussion.....	- 295 -
5.2.17	Conclusion	- 297 -
5.3	CASE STUDY 3: AIRLINE SERVICES INDUSTRY –ANSETT AND AIR NEW ZEALAND...	- 298 -
5.3.1	Research Site.....	- 298 -
5.3.2	Alliance Structure and Strategic Intent.....	- 299 -
5.3.3	Alliance Goals and Objectives	- 299 -
5.3.4	Alliance Partners Corporate Perspectives	- 299 -
5.3.5	Alliance Negotiation.....	- 300 -
5.3.6	Alliance Agreement	- 300 -
5.3.7	Alliance Partners Collective Strengths	- 300 -
5.3.8	Alliance Performance.....	- 301 -
5.3.9	Alliance Operation	- 301 -
5.3.10	Alliance Conditions.....	- 302 -
5.3.11	Emergent of Structural Tensions.....	- 302 -
5.3.12	Emergence of Psychological Tensions	- 302 -
5.3.13	Emergence of Relationship Tensions	- 303 -
5.3.14	Emergence of Evolutionary Tensions	- 303 -
5.3.15	Origins of Alliance Tensions	- 304 -
5.3.16	Discussion	- 304 -
5.4	CASE STUDY 4: AIRLINE SERVICE INDUSTRY – TPG LOGISTICS AND NEWS CORPORATION	- 309 -
5.4.1	Research Site	- 309 -

5.4.2	Alliance Structure and Strategic Intent.....	- 310 -
5.4.3	Alliance Goals and Objectives	- 311 -
5.4.4	Alliance Partners Corporate Perspectives	- 312 -
5.4.5	Alliance Negotiation.....	- 313 -
5.4.6	Alliance Agreement	- 313 -
5.4.7	Alliance Partners Collective Strengths	- 314 -
5.4.8	Alliance Performance.....	- 314 -
5.4.9	Alliance Operations	- 315 -
5.4.10	Alliance Conditions	- 316 -
5.4.11	Emergence of Structural Tensions	- 316 -
5.4.12	Emergence of Psychological Tension	- 317 -
5.4.13	Emergence of Relationship Tensions	- 317 -
5.4.14	Emergence of Evolutionary Tensions	- 318 -
5.4.15	Origins of Alliance Tensions	- 319 -
5.4.16	Discussion	- 319 -
5.4.17	Conclusion	- 320 -
5.5	CASE STUDY 5 CUNA MUTUAL GROUP (CMG) AND CUSCAL ALLIANCE	- 321 -
5.5.1	Research Site	- 321 -
5.5.2	Alliance Structure and Strategic Intent.....	- 322 -
5.5.3	Alliance Goals and Objectives	- 322 -
5.5.4	Alliance Partners Corporate Perspectives	- 322 -
5.5.5	Alliance Negotiation.....	- 323 -
5.5.6	Alliance Agreement	- 323 -
5.5.7	Alliance Partners Collective Strengths	- 323 -
5.5.8	Alliance Performance.....	- 324 -
5.5.9	Alliance Operation	- 324 -
5.5.10	Alliance Conditions	- 324 -
5.5.11	Emergence of Structural Tensions	- 325 -
5.5.12	Emergence of Psychological Tensions	- 325 -
5.5.13	Emergence of Relationship Tensions	- 326 -
5.5.14	Discussion	- 326 -
5.5.15	Conclusion	- 327 -
5.6	CASE STUDY 6: FINANCIAL SERVICES CRI CANADA AND CELERO	- 328 -
5.6.1	Research Site	- 329 -
5.6.2	Alliance Structure and Strategic Intent.....	- 329 -
5.6.3	Alliance Goals and Objectives	- 330 -

5.6.4	Alliance Partners Corporate Perspectives	- 330 -
5.6.5	Alliance Negotiation	- 331 -
5.6.6	Alliance Agreement	- 331 -
5.6.7	Alliance Partners Collective Strengths	- 331 -
5.6.8	Alliance Performance	- 332 -
5.6.9	Alliance Operation	- 332 -
5.6.10	Alliance Conditions	- 333 -
5.6.11	Emergence of Structural Tensions	- 336 -
5.6.12	Emergence of Psychological Tensions	- 336 -
5.6.13	Emergence of Relationship Tensions	- 337 -
5.6.14	Emergence of Evolutionary Tensions	- 337 -
5.6.15	Origins of Alliance Tensions	- 339 -
5.6.16	Discussion	- 339 -
5.6.17	Conclusion	- 339 -
5.7	CASE STUDY 7 – HALIFAX/BANK OF SCOTLAND AND WEST COAST CAPITAL	- 340 -
5.7.1	Research Site	- 340 -
5.7.2	Alliance Structure and Strategic Intent	- 342 -
5.7.3	Alliance Goals and Objectives	- 342 -
5.7.4	Alliance Partners Corporate Perspectives	- 342 -
5.7.5	Alliance Negotiation	- 346 -
5.7.6	Alliance Agreement	- 346 -
5.7.7	Alliance Partners Collective Strengths	- 347 -
5.7.8	Alliance Performance	- 347 -
5.7.9	Alliance Operations	- 348 -
5.7.10	Alliance Conditions	- 348 -
5.7.11	Emergence of Alliance Tensions	- 351 -
5.7.12	Discussion	- 352 -
5.7.13	Conclusion	- 354 -
CHAPTER 6 DISCUSSION OF FINDINGS		- 357 -
6.1	OVERVIEW	- 357 -
6.2	INTRODUCTION	- 357 -
6.3	INDUSTRY ENVIRONMENT AND THE DYNAMICS OF CONVERGING AND DIVERGING FORCES OF AN ALLIANCE	- 358 -

6.4	RESEARCH PROPOSITIONS AND RESEARCH QUESTIONS REVIEWED	- 363 -
6.4.1	How does an Alliance Firm's Strategic Intent Influence the Emergence of Internal Tensions between Partners in a Competitive Alliance Relationship?	- 364 -
6.4.2	Propositions Reviewed: Internal Tensions and Strategic Intent.....	- 364 -
6.4.3	What are the Dynamics between Internal Tensions and Partner Satisfaction with the Value Created by the Alliance?	- 366 -
6.4.4	Propositions Reviewed: Internal Tensions and Value Creation.....	- 371 -
6.4.5	What Happens When the Balance between the Different Competing Forces shifts towards the Dominance of one Force or the other?.....	- 373 -
6.4.6	Propositions Reviewed: Internal Tensions and Alliance Evolution.....	- 377 -
6.5	DIRECTIONS FOR FUTURE RESEARCH	- 381 -
6.6	IMPLICATIONS FOR PRACTICE	- 382 -
6.7	CONCLUSIONS.....	- 385 -
	REFERENCES	- 387 -

Index for Figures

Figure 1.1	Thesis Structure.....	- 8 -
Figure 2.1	Value Creation Process in the Dyadic Alliance	- 13 -
Figure 2.2	Taxonomy of the Various Approaches to Strategy	- 49 -
Figure 2.3	The Collaborative Action Model	- 71 -
Figure 2.4	Alliance Formation – Drivers, Levers and Supporting Theories	- 92 -
Figure 2.5	Measuring Alliance Performance	- 99 -
Figure 2.6	Value creation network in alliances	- 116 -
Figure 2.7	Alliance integration model	- 128 -
Figure 2.8	Factors governing strategic alliances	- 133 -
Figure 2.9	Managing Risks and their Impact on Performance	- 138 -
Figure 2.10	Emerging Framework for Governance	- 139 -
Figure 2.11	The Internal Tension Model	- 145 -
Figure 2.12	Alliance Structures and the Internal Tensions	- 148 -
Figure 2.13	Framework of Partner Analysis, Alliance Conditions and Alliance Performance.....	- 151 -
Figure 3.1	Value Creation Process in Alliances: Common and Private Benefits.....	- 176 -
Figure 3.2	Strategic Tension Impact Model.....	- 190 -
Figure 3.3	Process Model of Alliance System	- 193 -
Figure 3.4	Locations of Propositions	- 209 -
Figure 4.1	Research Flow Chart – Intra Site Research Framework	- 235 -
Figure 5.1.1	Strategic Position Map	- 253 -
Figure 5.1.2	Location of Issues & Tensions	- 270 -
Figure 5.6.2	Celero & CRI Alliance Condition	- 333 -
Figure 5.6.1	Value Creation Process in CRIC & Celero Alliance: Common and Private Benefits	- 336 -
Figure 5.7.1	Value Creation Process in Alliances: Common and Private Benefits.....	- 352 -
Figure 6.1	Tensions by Industry	- 361 -
Figure 6.2	Collaborative Alliances (contribution vs tensions)	- 368 -
Figure 6.3	Competitive Alliances (contribution vs tensions)	- 370 -
Figure 6.4	Alliance Contribution vs Core Tensions	- 371 -

Index for Tables

Table 2.1	Strategy Defined and Critical Elements	- 21 -
Table 2.2	Explicit Definitions of Strategic Management: Major Conceptual Elements and Their Component Words.....	- 27 -
Table 2.3	The Evolution of Strategic Management.....	- 29 -
Table 2.4	Linking strategic approaches and schools	- 34 -
Table 2.5	Approaches to Strategic Management	- 35 -
Table 2.6	Perspectives in strategic management.....	- 36 -
Table 2.7	Major Theoretical Approaches to Strategy	- 38 -
Table 2.8	A summary of how empirical strategising research operationalises key concepts in the SAP agenda	- 40 -
Table 2.9	Four Perspectives on Strategy	- 50 -
Table 2.10	Economics v Strategy.....	- 60 -
Table 2.11	Comparing discrete and embedded organisation perspectives	- 64 -
Table 2.12	Comparisons of Major Theoretical Approaches to Alliances	- 76 -
Table 2.13	Strategic Alliance Outcomes and Instability.....	- 85 -
Table 2.14	Contrasting the predictions of knowledge-accessing and knowledge acquisition theories of interfirm alliances.....	- 88 -
Table 2.15	Comparing the Industry Structure, Resource-Based, and Relational Views of Competitive Advantage	- 102 -
Table 2.16	Selected empirical studies on alliance performance.....	- 103 -
Table 2.17	Elements of the model of a successful competitive collaboration	- 107 -
Table 2.18	Competitive Alliances – Concert of Power and Polarised Blocs	- 110 -
Table 2.19	Collaborative and competitive advantage through alliances.....	- 118 -
Table 3.1	Profile of Interviewees	- 171 -
Table 3.2	Performance Variables, Perceived Risks and Internal Tension Dimensions	- 180 -
Table 3.3	Origins of Internal Alliance Tensions in Value Creation and Value Appropriation in Commercial Organisations	- 183 -
Table 4.1	Relevant situations for different research strategies.....	- 218 -
Table 4.2	Alliance Structures and the Internal Tensions	- 221 -
Table 4.3	Case Study Protocol.....	- 226 -
Table 4.4	Case Studies	- 242 -
Table 5.1.1	Alliance Structures and the Internal Tensions	- 247 -
Table 5.1.2	South Pacific Tyres (Part of Pacific Dunlop) Profit before Tax and return on sales.....	- 249 -
Table 5.1.3	South Pacific Tyres (Part of Pacific Dunlop).....	- 250 -
Table 5.1.4	Selected Financial Ratios For Frank Hermens Tyres 1987-1989	- 258 -
Table 5.1.5	SPT and Presmit Strategic Alliance Issue Matrix.....	- 275 -
Table 5.1.6	SPT and Presmit Strategic Alliance Converging and Diverging Forces.....	- 281 -
Table 5.2.1	Informants profile.....	- 283 -
Table 5.2.2	Alliance Structures and the Internal Tensions	- 284 -

Table 5.2.3	F&G and Fulda Alliance Tensions	- 295 -
Table 5.2.4	F&G Internal Tensions & Contribution	- 296 -
Table 5. 3.2	Ansett and Air New Zealand Alliance – Internal Strategic Tensions	- 305 -
Table 5.3.3	Origins of Internal Alliance Tensions in Value Creation and Value.....	- 307 -
Table 5.4.1	Alliance Structures and the Internal Tensions	- 310 -
Table 5.4.3	AWAS Financial Reports	- 314 -
Table 5.4.5	AWAS Aircraft fleet.....	- 318 -
Table 5.4.6	AWAS Overview: – Evolution of Tensions and Outcomes.....	- 319 -
Table 5.4.7	KNPT & News Corporation Internal Strategic Tensions	- 320 -
Table 5.5.1	– Alliance Structures and the Internal Tensions	- 321 -
Table 5.6.1	Alliance Structures and the Internal Tensions	- 329 -
Table 5.6.3	Origins of Internal Alliance Tensions in Value Creation and Value Appropriation in Commercial Organisations	- 338 -
Table 5.7.1	– Alliance Structures and the Internal Tensions	- 341 -
Table 5.7.2	Origins of Tensions in Value Creation and Value Appropriation in Castle Bidco Alliance Organisations	- 350 -
Table 5.7.3	WCC & HBOSS Internal Strategic Tensions.....	- 353 -
Table 6.1	Alliance Structure and the Internal Tensions	- 363 -
Table 6.2	Collaborative Alliances: (contribution vs. core tensions).....	- 367 -
Table 6.3	Competitive Alliances: contribution vs. core tensions	- 369 -
Table 6.4	Case Studies Overview: – Evolution of Tensions and Outcomes	- 375 -

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Abstract

The focus of this thesis is the study of strategic tensions between organisations engaged in a dyadic alliance relationship and the influence that the partnering firms' corporate strategies may bring to bear on the governance of the alliance venture and the subsequent performance of these partnerships. Prior research on alliance outcomes has largely ignored the relationship between strategic fit, alliance process and evolution. This is despite the clear demonstration, in Doz's (1996) longitudinal study of alliances, that the initial structural conditions and subsequent evolutionary processes influence alliance outcomes (see also Noorderhaven, 2005).

The literature review examines both academics' and practitioners' various definitions and terminologies used to describe alliances. Three scholars, Arthur (1996) (whose view of organisations is embedded in institutional theory) and Das and Teng (2001) (whose perspective of alliances is as organisations emerged in internal tension), essentially share a similar perspective. This is that alliances are based on a tentative equilibrium of reciprocal opposing forces that can quite readily shift if one force gains strength. In this thesis, theoretical contributions and models, along with empirical findings that inform an understanding of the dynamics and processes of coevolution that shape the alliance development process, were evaluated, with the evolution of paradigms and paradoxes that influence and shape the logic behind the adoption of an alliance strategy being identified as providing a basis for explanation.

The primary research question for this thesis was how internal tensions between partners influence alliance performance and the value appropriated by individual partners. To answer this question, it was necessary to understand the origins and drivers of internal tensions in an alliance. Alliance tensions are influenced by the environment, structural choices and contextual, structuring, organizational and discursive processes that broadly shape the effective implementation of an alliance strategy.

To answer criticisms of fragmented contributions to the strategic management agenda (Ansoff, 1987; McKierman and Carter, 2004) a research model was developed to guide

the research and testing. The framework essentially acknowledges the dualities and interdependence of the collaborative process. Factors influencing internal tensions and alliance performance include availability of resources, differential bargaining power, alliance structure, alliance goals, stages of industry life cycles, and changing market conditions. The model provides insights into the process through which balance may be restored, or deteriorate further.

Research questions and propositions were developed around the various dialectic tensions, then reviewed using the empirical data collected on how strategic tensions were processed in alliances and implications for alliance performance and evolution. Some of the key propositions formulated include: 1) that the divergence of strategic intent between parenting firms in a joint ventures will be inversely related to the difference between the level of cooperation and the level of competition between the alliance partners; 2) that alliance tensions are more likely to be in equilibrium where the partners are satisfied with the perceived value contributed to their firm (private benefits); and 3) that an alliance is more likely to move towards continued cooperation when the value appropriated met or exceeded partners' objectives and tensions are in equilibrium.

The research design incorporated a two-stage design. The purpose of the exploratory pilot study was to answer the question: 'What are the origins of dominant internal competing forces (tensions) that influence alliance performance'? The pilot study was designed to examine this question from the perspective of senior alliance managers, chief executive officers (CEOs), or General Managers (GMs). The next step was to find out how the governance (influencing/manipulating) of internal tensions by senior managers influenced alliance performance (measured by the level of partners' satisfaction with the contribution of the alliance to their organisation). This required the design of an iterative process of ongoing case study-based research to more fully understand the phenomenon. Adopting a grounded theory approach, the sample for the exploratory pilot study was drawn from 27 executives who were, or had been, engaged in alliance management at a senior level and who were likely to have knowledge of strategy in the supply chain. Each case study was selected to represent a unique alliance structure, and was guided by Das

and Teng's (2001) classification framework for investigating alliance structures and tension.

The research findings suggest that overall tension levels and sub-systemic dialectic tensions (i.e. short-term versus long-term; flexibility versus rigidity; collaboration versus competition; common versus private benefits) evolve over time and reconstitute relationships and shape the evolutionary trajectory of an alliance. The case studies findings suggest a process of accelerating tensions and significant imbalances in their configuration will favour certain outcomes. All propositions formulated in this thesis were supported by the findings of the studies.

The main contribution of my research is to extend current theory by examining converging and diverging forces/tensions and their impact on alliance value creation. This was done through the use of a dynamic model based on organisational learning and strategy theory. The governance process of alliance resources, in the context of the value creation process and perceived risk, is a key strategic element that influences internal tensions and alliance evolution.

The in-depth seven qualitative case studies approach was an appropriate research methodology because of the complexity of the phenomena investigated. Since the process elements involved are not accessible through traditional quantitative methods (Doz, 1996; Arino and de la Torre, 1998), a longitudinal case studies approach was followed to monitor the interactions between the partners. However the design simultaneously constrained the testing of the findings. It would have been useful to have data from a larger sample of firms within these industries. Future studies that would include larger data sets would provide the opportunity to explore and test the model at different points in the supply chain.

In conclusion, the research identified the origin of internal alliance tensions as the product of the variance between partner's strategic intent for alliance conditions (perceived normative collaborative conditions), actual alliance conditions and perceived risk. This sets the groundwork for future research which will examine the degree to which the individual tensions are determinants of alliance performance, and obtain a

deeper understanding of the interrelationships between the tensions identified in the proposed model.

